

VZCZCXRO3666
PP RUEHLMC
DE RUEHLP #0734/01 0761949
ZNY CCCCC ZZH
P 171949Z MAR 06
FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC PRIORITY 8469
INFO RUEHAC/AMEMBASSY ASUNCION 5694
RUEHBO/AMEMBASSY BOGOTA 2961
RUEHBR/AMEMBASSY BRASILIA 6843
RUEHBU/AMEMBASSY BUENOS AIRES 4073
RUEHCV/AMEMBASSY CARACAS 1394
RUEHPE/AMEMBASSY LIMA 1312
RUEHMN/AMEMBASSY MONTEVIDEO 3644
RUEHQT/AMEMBASSY QUITO 4036
RUEHSG/AMEMBASSY SANTIAGO 8555
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C O N F I D E N T I A L SECTION 01 OF 03 LA PAZ 000734

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STATE FOR WHA A/S T.SHANNON AND PDAS C.SHAPIRO
STATE ALSO FOR WHA/AND P.FRENCH AND L.PETRONI
NSC FOR D.FISK

E.O. 12958: DECL: 03/16/2016
TAGS: [PGOV](#) [PREL](#) [ECON](#) [ETRD](#) [PINR](#) [SNAR](#) [BL](#)
SUBJECT: MORALES SEARCHING FOR WAY FORWARD ON TRADE

Classified By: AMBASSADOR DAVID N. GREENLEE, FOR REASONS 1.4(b) and (d)
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¶1. (C) Summary: Over lunch March 16 President Morales and Vice President Garcia Linera told the Ambassador that the GOB was distressed about the loss of the Colombian soy market for Bolivian producers and they wished to press this concern in Washington. The Ambassador explained that the Colombia-U.S. FTA was closed but that a visit to Washington to discuss GOB interests and a broader agenda would be welcomed. Morales explained that his rejection of an FTA and proposal for a "People's Trade Agreement" was an effort to open a fresh dialogue on trade issues with Bolivia's social sectors. The atmosphere of the meeting was constructive and Embassy believes that a Garcia Linera-led visit to Washington, with or without the Colombians, could be productive. End Summary.

PRESERVING BOLIVIA'S SOY MARKETS

¶2. (U) The Ambassador hosted President Evo Morales and Vice President Alvaro Garcia Linera for a 90-minute lunch at the Ambassador's residence March 16. The DCM and ECOPOL chief also attended. Before entering the residence, the Ambassador and Morales told a large press contingent that the meeting was a follow-up to previous exchanges and in the spirit of deepening our dialogue.

¶3. (C) Morales opened by inviting Vice President Garcia Linera to provide a readout on the March 14 visit to Bolivia by Colombian President Alvaro Uribe. Garcia Linera focused on Bolivia's interest in maintaining the integrity of the Andean Community (CAN) and honoring existing commitments. He understood that market access for certain soy oils would be preserved for five to ten years, but expressed concern that Colombian businessmen could quickly establish their own soy processing facilities, thus supplanting Bolivian supply. Morales noted with a certain amount of frustration that Uribe only came to Bolivia to confirm that the Colombia-U.S. FTA was closed and would not be re-opened, but did appreciate Uribe's offer to provide special credits to Colombian importers to buy Bolivian soy. Garcia Linera said the GOB

did not have high expectations prior to the Uribe visit, and that critical media coverage paled in the context of "President Morales' enormous success during his trip to Chile." Both Garcia Linera and Morales linked conservation of Bolivia's soy markets in Colombia to the preservation of Bolivian democracy. The GOB, they said, remained insistent on sending a delegation to Washington, led by the Vice President, to make a direct appeal and "demonstrate that we are doing everything we can to protect our markets."

¶4. (C) The Ambassador confirmed that there was no room for re-opening negotiations on soy and that the Colombian-U.S. FTA was closed. The U.S. Congress and the U.S. private sector had already been notified of the terms of the agreement and backtracking on these commitments was not an option. The Ambassador reminded Morales that CAFTA passed the U.S. Congress by a very narrow margin and that providing expanded trade opportunities for domestic agricultural interests was important. The Ambassador welcomed the proposal for a visit by GOB officials to Washington, while cautioning that expectations should be carefully managed and coordination with USG officials was essential to assure productive results.

¶5. (C) After explaining that the Colombia-U.S. FTA would likely take at least a year before entering into force (information which seemed new both to the President and Vice President), the Ambassador noted that the potential loss of jobs in the soy sector would certainly occur during Morales' administration, and that failure to engage on the trade issue would likely result in an additional sizable loss of Bolivian jobs. (Note: Morales nodded decisively on this point. End Note.) The Ambassador directed the conversation to Morales'

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statement the day before that he would never sign an FTA with the U.S., but that he was interested in pursuing a "People's Trade Agreement." Morales explained that he was most concerned about protecting Bolivia's small producers and micro-entrepreneurs who could be overwhelmed by free trade. In proposing a "People's Trade Agreement" Morales said he wanted to be able to discuss such commercial issues in a new way. With evident pride, Morales added, "Did you notice how none of the social sectors reacted negatively to my idea?"

¶6. (C) Morales noted the problem of cheap Argentine rice being smuggled over the border and disrupting Bolivia's domestic rice market. He recounted in this context his personal experience years ago of selling rice by the bag in the Chapare and that he had opted for coca because of such unfair competition. When the Ambassador asked if Morales objected to the word "free" with respect to an FTA, Morales nodded enthusiastically, commenting that if trade is free, then the small guy is overwhelmed. "Trade should be just and fair." When the Ambassador responded that U.S. was not wed to the word "free" in its commercial agreements, Morales seemed both relieved and encouraged.

COCA

¶7. (C) The Ambassador told Morales that we were increasingly concerned about the slow pace of coca eradication and that the current rate of only 15 hectares a day was not sufficient. Morales said that he was working with the coca leaders to improve performance in voluntary eradication. Both agreed that cooperation on interdiction issues was positive. The Ambassador advised Morales of a possible visit to Bolivia by INL A/S Anne Patterson in late-April and that it would be important to be able to show concrete progress by that time.

SECURITY ISSUES AND IRAN

18. (C) The Ambassador expressed concern about the declining level of cooperation on anti-terrorism issues and regretted statements by GOB ministers (specifically, Minister of the Presidency Juan Ramon de la Quintana), that such cooperation was tantamount to blackmail. He also noted reports from various ministry contacts that they should avoid relationships with U.S. Embassy officials -- "yet we see the infiltration of Cubans and Venezuelans, your friends, throughout the Bolivian Government." He warned Morales to be wary of the "friends of these friends, notably Iran." Morales replied that Bolivia was doing nothing with Iran. He commented that there had been the possibility of his visiting Iran as President-elect, but for a variety of reasons he did not do so. He added that there was some discussion about the Iranian President possibly travelling through the area, but the trip was never confirmed. The Ambassador again urged him to be careful about being perceived to be on the other side of the anti-terrorism divide.

PREPARING TO VISIT WASHINGTON

19. (C) The Ambassador and Morales agreed that Garcia Linera should work directly with the Embassy to prepare a Washington visit which would involve meetings with senior level officials at the State Department and USTR. Morales said he would shortly name someone to head the GOB's MCC efforts. In preparation for the delegation's visit, Morales accepted our suggestion of a series of Digital Video Conferences with the MCC and USTR to improve Bolivian understanding of how these entities work. Garcia Linera showed particular interest in the mechanisms in trade agreements to protect small producers. As if suddenly enlightened, he said, "Then we can negotiate about these sensitive issues and address them

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effectively."

110. (C) The Embassy will work with relevant Washington agencies to prepare for the visit, likely next month, of the Bolivian Vice President and Foreign Minister. Garcia Linera said that he would be responsible for coordinating with his Colombian counterpart.

ATMOSPHERICS

111. (U) Morales and Garcia Linera were noticeably more relaxed this round, either because of the informal lunch setting or perhaps their increasing familiarity with the Ambassador and Embassy officials. Morales, for the first time, took notes in our presence. Viewed from across the table, these consisted of words or phrases, such as "IRAN" (all in caps) or "CAFTA, January 2004" (end date of negotiations). Morales showed great interest in certain topics, such as jobs, but grew less interested when the Vice President asked more detailed questions about trade. Morales would engage intensely for a moment and then seem to tune out, several times fidgeting with an artificial fruit centerpiece on the table. The rapport between Morales and Garcia Linera seemed better than in earlier meetings.

COMMENT

112. (C) The Embassy strongly supports the proposal of a Garcia Linera-led visit to Washington, as it is clear that the Bolivians need considerable education on the workings of the U.S. Government. For example, Morales said publicly that he wants to negotiate the soy issue directly with the Secretary of State, apparently unaware of the role of USTR in

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the trade area. Morales struck us again as a political pragmatist, almost desperately looking for a way out of his current impasse on soy and trade issues generally.

¶13. (C) Later in the day, Morales publicly spun the luncheon meeting for political advantage. He said he had obtained from the Ambassador a full year's grace for soy-grain access to the Colombian market (i.e., the likely time of ratification) and that the Ambassador was "beginning to understand" the "People's" trade-agreement concept.

GREENLEE